

**VERMONT ECONOMIC PROGRESS COUNCIL**  
**MEETING MINUTES**  
**APRIL 28, 2011**  
**RECORDS BUILDING**  
**AT NATIONAL LIFE COMPLEX**  
**CONFERENCE ROOM R2A, GROUND FLOOR**  
**MONTPELIER, VT**  
**9:30 A.M. TO 4:00 P.M.**

**Members Present:** Betsy Gentile; Carl Rosenquist; Chris Keyser; Mark Young; Mary Lintermann; Nancy Port; Rachel Smith; Stephan Morse.

**Staff Present:** Fred Kenney, Alice Cloud

**Others Present:** **City of Burlington:** Larry Kupferman, Director of CEDO; Brian Pine, CEDO; **City of Milton:** Carrie Violette, Economic Development Director; Brian M. Palaia, Town Manager.

**Others:** Stephanie Hainley, White & Burke; Ashley Higgins, White & Burke; Seth Bowden, Frank Cioffi, GBIC; Jeff Carr, EPRI; John Kessler, ACCD; Joss Besse, ACCD.

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**9:40 a.m.:** Chris Keyser called the meeting to order. Fred Kenney noted a conflict of schedule for the May 26, 2011 meeting so the council discussed different dates to hold the May meeting. It was decided that May 25, 2011 would work for most council members.

Chris then asked if there was any public comment. Hearing none, Chris requested Fred Kenney give the council an update of the status of Legislative issues.

**9:55 a.m.: VEGI Rescissions:**

Carl Rosenquist made a motion to rescind the following VEGI incentives due to failure to file a VEGI claim by the statutory deadline of February 28. Mark Young seconded and the motion carried 8-0-0.

**New England Precision, Inc., Randolph**

VEGI ID:	08-14
Authorization Date:	September 18, 2008
Incentives Authorized:	\$241,236
Incentives earned:	\$0
Incentives Paid:	\$0
Year 1 (2008) Status:	Targets not met. grace period ends 12/31/2010.
Year 2 (2009) Status:	Targets not met; grace period ends 12/31/2011.
Year 3 (2010) Status:	Failed to file VEGI claim form by February 28, 2011, therefore, Tax unable to determine if any targets met. e-mails received from company – withdrawing from program.

**Dominion Diagnostics, Inc., Williston**

VEGI ID:	09-01
Authorization Date:	January 22, 2009
Incentives Authorized:	\$103,300
Incentives earned:	\$0
Incentives Paid:	\$0
Year 1 (2009) Status:	Targets not met; grace period ends 12/31/2011.
Year 2 (2010) Status:	Failed to file VEGI claim form by February 28, 2011, therefore, Tax unable to determine if any targets met.

Chris Keyser requested Council approval of the March 24, 2011 meeting minutes as presented.

**9:57 a.m.:** Carl Rosenquist motioned to approve the March 24, 2011 meeting minutes. Betsy Gentile seconded and the motion carried 8-0-0.

**9:58 a.m.:** The council had a policy discussion on TIF Proportionality. Fred Kenney discussed the statute, Council definitions and the history of the Council's development of TIF proportionality policy.

Fred suggested that the Council continue to review the factors involved in proportionality, including inter-municipal utilization of the infrastructure, location, utilization, and the scoring matrix to determine what portion serves the TIF district, as this is the statutory definition. However, the Board's determination should recognize if other sources of funding for the project have been identified at the time of application and stipulate that the non-TIF funding should be applied to the project to offset the TIF revenue. Also, municipalities should continue to seek other sources of funding even after approval.

Mark Young expressed concern that about funding that becomes available after approval and to which share of the proportion it gets applied.

Carl Rosenquist noted that in most cases, additional revenue, expected or unexpected, would lower the exposure/impact to TIF financing.

**11:02 a.m.:** After substantial debate and discussion the Council outlined the policy that will be followed and requested that staff draft a proportionality policy for the Council to review and approve at the next meeting.

**11:03 a.m.:** The Council had a policy discussion regarding "Master TIF District Determinations" and "Substantial Changes to Approved TIF Districts."

The "Master TIF District Determination" is modeled on the Master Permit Policy and Procedure for Partial Findings of Fact for ACT 250 permits. Generally, you give an umbrella approval with findings of fact for whatever determinations can be made, understanding that some of those are going to be partial or left open. Then the applicant comes back with "phases" with more specifics on the projects. What defines a phase and how phases are triggered needs to be discussed.

Staff is proposing three different things:

1. Municipalities are required to file TIF District reports every year to report on actual performance. Staff is suggesting that the annual report also include any minor changes to the approved TIF Plan.
2. A definition and process for substantial changes to approved TIF District Plans, and
3. A Master TIF Determination process that allows for an umbrella approval with findings of fact for whatever determinations can be made, understanding that some of those are going to be partial or left open with the applicant filing subsequent “phases” with more specifics on the projects as they are ready for development.

Mary Lintermann sees “phase submission” as a way of filling in the voids of information that were not included in the umbrella approval of the Master Determination. This would allow review at a deeper level and whether change is minor or more substantial.

Stephan asked whether a Master Determination precludes approval of any phase that may be ready for approval. Discussion confirmed that approval of a phase could occur concurrent with the Master Determination.

Mark noted that the changes being discussed today are changing the complexity of the TIF District application process by involving subsequent phases that require staff and/or the council to be approached on an on-going basis. It will get complicated when more districts make “Master Determination” applications that will involve several of the applicants to keep coming back to staff and the Council.

Jeff Carr stated that the Council could set guidelines regarding what level or type of change or phase can be approved by the executive director and which must come to the Council.

Fred noted some circumstances that could represent a “Substantial Change” or require Council review of a phase.

Council discussed reporting, substantial change, and Master Determination differences.

Stephen pointed out that a Master Determination should require that the municipality report to the VEPC Executive Director as soon as a Substantial Change is known or a phase is ready, regardless of the annual reporting cycle. This should be a general clause in any approval for Substantial Changes and in any approval getting a Master Determination for either substantial changes or phases.

The Council discussed the silence in statute about the ability for Council to adopt procedures and processes for the application or any post-approval processes.

John pointed out the approval that occurs on the local level before the application comes before VEPC. The concern he expressed is that the municipality would be coming to the Council staff or the Board and requesting changes to a TIF Plan that has been approved locally. This puts the Council in a difficult place. VEPC is not a regulatory body. You cannot require municipalities to go back and get re-approval. The whole TIF process rests on the municipality. One person can put the process in court. The Council needs

to take this into consideration with the Master Determination. Fred proposed some good amendments to have the legislature recognize the post-approval role for VEPC.

Council had further discussion on the ability of the Council to create processes and procedures and what can be required of municipalities.

Stephanie emphasized that the requirements of a Substantial Change or Master Determination must be as concise as possible regarding what remains to be evaluated, especially with each phase. It is fine for the general policy to be broad but the actual language in each Master Determination should be specific regarding what remains to be evaluated and determined.

**11:50 a.m.:** Mary Lintermann made a motion to approve, in concept, a “Master TIF Determination” process and a process to consider “Substantial Changes to an Approved TIF Plan” and directs staff to develop written process documents, subject to final approval. Betsy Gentile seconded and the motion carried 8-0-0.

**11:55 a.m.:** **The board broke for lunch.**

**12:30 p.m.:** Chris Keyser brought the meeting to order for further discussion of Burlington Downtown TIF District Application.

Jeff Carr gave an overview of the TIF analysis performed by EPR of the Burlington Downtown TIF application. He confirmed fiscal viability and ability to service debt. He also recommended that the Council can approve the “need” and “housing” criteria but that more work would have to be done to make a recommendation on the transportation criteria. Jeff commended the work that was done by Allen & Brooks on market viability and offered that the only caveat he would attach to the application in regards to ability to execute on time is with the absorption of the amount of retail space proposed in the application. Less concern if it takes place over ten years. The other issue is that Allen & Brooks did not opine on the timing of the TIF – whether it could occur on the timeline proposed.

[Click here for copy of memo from ERPI](#)

Stephanie responded to Jeff assessments. She appreciated his thorough review of the application. Overall, as noted in her memo, the rules are now changing subsequent to Burlington’s application. The five-year window now possibly changing to ten years. Now there is the possibility of coming back before the council for each phase with an updated financing plan would address some of the contingency concerns noted by Jeff. We are happy to work with staff more on the technicalities and issues. The Redstone project timeline was an oversight on their part by not changing the timeline to reflect the other changes in timing made in the application.

The City does have concerns on the viability piece and the construction and infrastructure costs. The concern is about process - would the contractors be brought in to examine each phase? And the same for viability in the phasing? How does that get handled? Otherwise, she agrees with Jeff’s analysis and will work through some of the more detailed items.

[Click here for copy of response memo from Burke & White](#)

Stephan: One of the things that Jeff mentioned is the electric department expenses. I noticed they were high according to Jeff's report. What's going on with the electric department that we might need to know?

Jeff: Their annual budget is going up faster than their general operating budget. But remember the electric department budget is composed of lots of things. One of the things happening now is the increase in cost of purchasing power.

Larry: BED's primary interest is to be invested as much as possible in renewables. They recently engaged in some of the windfarms, are in discussions with Hydro Quebec and they don't participate in Vermont Yankee. They are a very separate entity/audit than the City. How does that effect the downtown viability of our downtown development? They're the only 'show' in town. You have to buy power from them.

Stephan: It is separate and apart from the City so it does not impact your ability to bond.

Brian Pine addressed a question asked in Jeff's memo on whether the SAFETEA-LU earmark needs re-authorization. He confirms information relayed to him that none of the transportation dollars are at risk for projects that are ready to go. Stagnant projects are the subject of federal recapture. The local match has always been the challenge and TIF revenue would be the ideal source of match.

Stephan: What is the City's Bond rating? I heard it's an A3 which isn't an enviable bond rating.

Brian: The City just secured financing for some fairly large debt instruments at a 2% interest rate. Our finance officer said in comparison that our bond rating is pretty solid. Further discussion ensued.

Fred: I have a three part question: Burlington, if legislature changes the debt window from 5 to 10 years, how do you see that effecting your application? Jeff, what does that mean to the fiscal viability of Burlington's application? Council, if passed, would we want to see the application resubmitted reflecting those changes?

Stephanie: From the City's perspective, a year has been spent summarizing the projects that are primed for redevelopment and investment. The timing of that isn't any clearer today than a year ago, and it could be within those five years as projected or within those 10 years. We are hoping to complete as many as possible. I don't think there is much to gain by resubmitting those same materials especially if we have to come back with individual phases that estimate new timeframes, with possible new dollar amounts, and new revenue projections possibly now within the 10 year window.

Larry: The application was designed for the five 5 year window and we are caught a bit in the midst of a change to the extent that those spreadsheets and those formulas are dependent on it, I guess depends on what effect it will have on your decision on terms of trying to adjust those spreadsheets to 10 years.

Jeff: The timing is a double-edged sword in many respects. My view is if the world changes and you have 10 years, it would seem that the council would want to see the updated analysis that depends on your view of how you think those project elements would evolve over that period to help the Council decision. But I can see it helping in some respects as to relieve some of the pressure on the ambitiousness of what's being contemplated. It could also be beneficial as some additional funding sources could come in during the cyclical nature of funding politics. Negatively, costs won't likely be going down so

pushing out some of those projects could financially impacted. Lastly, viability on the retail development spread out over a longer period of time. It may be more viable and realistic.

Discussion of debt timing.

Carl: What happens to the applicant's expectation of the scope of the project if it goes from 5 to 10 years? Can they add more projects?

Fred: They would still be restricted on that as you will be approving a TIF plan and debt approved by the voters, even if more projects are added.

Larry: From the City's point of view, they want to get to the end of the application process.

Chris: Started consideration of the remaining criteria. First, the "But For". Will the real property development occur anyway, or might it occur in a significantly different and less desirable manner except for the use of incremental property tax revenues? That's a determination that we have to make. It seems that without the TIF, the projects are not going to happen.

Nancy Port agreed that a "pay as you go basis" would be 'no'. Fred also pointed out how long some of these projects have been around and still have not happened.

**1:16 p.m.:** Nancy Port made a motion that the Council has determined that "But For" the incremental property tax revenue the proposed infrastructure would not be improved and therefore the expected real property developments would not occur, or would occur in a less desirable manner. Betsy Gentile seconded and the motion carried 8-0-0.

Chris: The next issue is proportionality.

Carl: Burlington feels it should be 100% from a proportionality standpoint. What was the EPR conclusion?

Jeff: We confirmed that what staff recommended looked reasonable pending an analysis of the transportation infrastructure by our transportation consultant. It appears that the projects serve the TIF district that benefits them. If enhancements are made to the project outside the scope of the TIF, it would be at additional cost paid by other resources. Could submission analysis be done by the sub-contractors for review within the time period needed and would the costs be a burden to the city? Timing would most likely not be an issue and costs could be nominal for standard desktop reviews.

**1:27 p.m.:** Carl made a motion to allow 100% proportionality for all projects. No second was heard.

Further discussion ensued regarding proportionality.

Stephan Morse made a motion that for the purposes of the Master TIF Determination for the Burlington Downtown TIF District, Council approves proportionality of 100% for each infrastructure project, subject to review of each phase by the Council. Nancy Port seconded and the motion carried 8-0-0.

Next, nexus was discussed.

Fred reminded the board of the various nexus relationships to be reviewed by the Council and the discussion of nexus that occurred at the March meeting.

Stephanie: Notes that with the extension to 10 years, the north end projects that are so conceptual now could become more of a probability with a 10 year time window. But would be discussed more in-depth at the time that a phase would be submitted.

Discussion of properties in the northern section of the TIF.

Mark: Unless their change of use occurs, they are not affecting the education fund.

**1:38 p.m.:** Mark Young made a motion that for the purposes of the Master TIF Determination for the Burlington Downtown TIF District, the Council approves nexus for the infrastructure projects, parcels, and real property developments included in the application as presented and that nexus will be reviewed for only any new infrastructure projects, parcels, or real property developments included in any subsequent phase to be reviewed by the Council. Mary Lintermann seconded and the motion carried 8-0-0.

The Council continued with Project Criteria. The Council discussed the application information, staff recommendations, and the EPR findings.

**1:45 p.m.:** Stephan Morse made a motion that for the purposes of the Master TIF Determination for the Burlington Downtown TIF District, the Council determines that the "Need" and "Housing" criteria under the Project Criteria have been fully satisfied and that the "Transportation" criteria is generally met but that details will be reviewed during each subsequent phase. Betsy Gentile seconded and the motion carried 8-0-0.

**1:45 p.m. to 1:57 p.m.:** The council paused for a short break.

**1:58 p.m.:** Nancy Port made a motion that the TIF district meets the statutory Purpose of a TIF District. Betsy Gentile seconded and the motion carried 8-0-0.

Lastly, a discussion of Viability and the Financing Plan ensued. Burlington is requesting approval of their TIF Financing Plan concurrently with the TIF District Application. Staff recommends, due to the speculative nature of the financing information, that approval for Viability and Financing Plan be handled the same as the other determinations - that as presented the plan is viable but the impacts will have to be examined as each phase comes in.

Discussion of changes required if the debt window is extended to ten years.

Stephanie: We plan to stay with the five-year plan regardless of what happens. But, we could come in with a substantial change in future years to extend beyond five years if project timing requires it. We are amendable to a condition on the approval or just withdrawing the Financing Plan and incorporating the need for review of the financing plan with each phase.

**2:00 p.m.:** Carl Rosenquist made a motion that for the purposes of the Master TIF Determination for the Burlington Downtown TIF District, the Council determines that the TIF Financing Plan, including debt

and related costs of approximately \$21 million and debt financing costs of \$8.4 million, for total debt service of approximately \$30 million, and expected incremental property tax revenues to service the debt of approximately \$46.5, appears to be viable and the Financing Plan, as presented at this time, is approved, subject to review of actual revenue generated and debt incurred as each phase is reviewed. Nancy Port seconded.

Jeff pointed out that he, staff and the applicant will need to work out some details on the financing so the Council may want to condition the motion to allow fine tuning by staff assuming there is no material change.

**2:10 p.m.:** Stephan made a motion to table the pending motion. Mark seconded. Motion carried 7-1-0 with Nancy opposed.

**2:14 p.m.: Milton Town Core TIF District Financing Plan.**

Fred gave an overview of the differences between Milton's TIF District Plan and the TIF Financing Plan. Proposed Infrastructure:

- Nineteen (19) projects will be built between 2011 and 2017 (originally 24 between 2010 and 2014). Some projects have been eliminated and some combined. Total infrastructure costs are now expected to be \$23.8 million, about \$6 million lower than the \$29.9 million projected in the original TIF Plan. The major changes include:
  - Reduction in cost of town core sewer project by \$800,000.
  - Exclusion of sewer project to industrial area west of I89 (required by Council).
  - Addition of \$590,000 sewer project to meet conditional inclusion of industrial area east of I89.
  - Reduction of proportionality for "hour glass" and Lander Intersection projects because of federal highway grants that will pay for 80%.
  - Elimination of \$2.2 million in lighting projects.
  - Reduction in new road costs by \$2.2 million due to requirement that developers pay for portion of costs.
  - Doubling of Main Street reconstruction costs due to allocation of all costs to Town Core TIF (was split with Husky TIF).
  - Elimination of municipal parking and Park and Ride by combining functions into Multimodal.

The net cost of infrastructure to be paid with TIF revenue, with consideration of the proportionality required by the Council, is now projected to be \$19 million. Interest costs are estimated at \$13.2 million, for a total debt service of \$32.2 million.

Milton estimates the generation of \$45.8 million (was \$75.1) in incremental property taxes during the 20 year TIF District increment retention period (2011-2031): \$9.9 million in municipal property taxes, with \$2.5 million (25%) going to the Milton municipal general fund and \$7.4 million (75%) going to TIF debt; and \$35.9 million in state education fund revenues, with \$9 million (25%) going to the education fund and \$26.9 (75%) to the TIF debt. This raises a total of \$34.3 million to retire the expected \$32.2 million in TIF debt.

Staff determination is there are no perceived changes to the But For, Purpose, Process or Project Criteria. Nexus, proportionality, location – need to be re-examined.



Milton agrees with Fred's summarization of the application and is here to answer any questions that the council may have.

The Council asked Milton clarifying questions regarding the Act 250 condition, the sewer project proposed, and the Main Street project.

**2:47 p.m.:** Stephan Morse made a motion that the Council determines that the Milton Town Core TIF Financing Plan is consistent with the approved Milton Town Core TIF District Plan. Mark Young seconded and the motion carried 8-0-0.

**2:48 p.m.:** Mark Young made a motion that Milton has met the Location Criteria conditions of the TIF Plan approval related to Act 250 restrictions and therefore the conditioned parcels may be included subject to an additional reporting requirement regarding how the development is proceeding in a manner that is compact and high density. Betsy Gentile seconded and the motion carried 8-0-0.

**2:49 p.m.:** Mary Lintermann made a motion that the Council determine that the municipality plans to utilize debt instruments other than bonded debt but that the proposed financing is viable and reasonable. Nancy Port seconded and the motion carried 8-0-0.

**2:50 p.m.:** Mary Lintermann made a motion that the Council approve proportionality as proposed by the Substantial Change presented by Milton, as follows:

<u>Project:</u>	<u>Est. Total Cost:</u>	<u>Non-TIF</u> <u>revenue:</u>	<u>TIF</u> <u>Costs:</u>	<u>Proportionality</u>
Village Core Sewer Expansion:	\$3,100,000	\$0	\$3,100,00	100%
Bombardier Water Line Loop:	\$150,000	\$0	\$150,000	100%
Hour Glass Intersection:	\$3,807,000	\$3,045,000	\$761,400	100%
Rebecca Lander Intersection:	\$1,243,000	\$994,400	\$248,600	100%
Sidewalk Projects	\$1,740,600	\$0	\$1,740,600	90%
Lighting Projects	\$2,493,000	\$0	\$2,493,000	90%
New Road Projects	\$5,493,000	\$0	\$5,493,000	100%
Main Street reconstruction	\$3,330,000	\$0	\$3,330,000	100%
Wastewater Collection to Ind Park	\$590,000	\$0	\$590,000	100%
Multimodal Facility	\$1,350,000	\$0	\$1,350,000	75%

Betsy Gentile seconded and the motion carried 8-0-0.

Mark Young asked for an explanation about the elimination of portion of the street lighting in the TIF application and what impact that will have on the desirability of the overall project. Milton explained that re-examination narrowed the scopes of some of the projects as a function of costs where the lights would be most visible and needed and also one project eliminated as determined that the lighting would take place when the actual roads are built where there would be a private/public partnership for building portions.

Mark Young complimented Milton on making some really good changes that reduces the borrowing, reduces the debt service and has found alternate means of financing projects.

The meeting was adjourned at 2:52 p.m.

*Minutes taken by Alice Cloud: **April 28, 2011***

*Revised by Fred Kenney: **May 11, 2011***

*Approved by the Board: **May 25, 2011***